Soluna Holdings, Inc.

In-line 2Q; Look for Improving Results in 2H and Beyond as New Projects Contribute to EBITDA

KEY POINTS

- **Reported in-line 2Q results.** As expected, revenues of \$2.1 million were down from 1Q23 and 2Q22, as the company shifted to hosting contracts at its data centers rather than proprietary Bitcoin mining where it recognized both higher revenues and costs. G&A expenses declined sequentially and Y/Y from ongoing cost structure rationalization efforts. We note that 2Q23 did include higher legal costs related to the multiple project signings in the quarter.
- **Significantly improved balance sheet position.** Cash balance stood at \$7.5 million, up from \$1.1 at YE22 due to inflows from partnerships in new projects along with ongoing cost control measures. In 2Q23, the company extended the maturity of its convertible notes to July 2024 and has been selling off older mining rigs that were used for proprietary mining.
- Contributions from existing projects are expected to ramp up in 2H23 and into 2024. During 2Q23, Soluna signed a new hosting contract at Project Sophie and also began energizing the initial phases at its flagship Project Dorothy. The 25 MW at Project Dorothy Phase 1A is now fully deployed in a hosting contract with Compass Mining and another strategic miner, while the 25 MW at Phase 1B (a propriety Bitcoin mining JV with Navitas Global) is partially energized with construction almost complete and more than 5,700 miners deployed. The company expects these projects alone to contribute more than \$10 million in annual project-level EBITDA.
- **Progressing on the 50 MW Phase 2 at Project Dorothy.** The company noted that it is in discussions with potential partners for the 50 MW Phase 2 of Project Dorothy. Importantly, ERCOT approval has already been received for these 50 MW, making it a very attractive project that is shovel ready and will allow the company to move quickly to monetize its assets as contracts are finalized. Soluna has stated that each 25 MW (100% owned) can contribute \$6-7 million in annual project-level EBITDA.
- The 166 MW Project Kati is gaining investor interest and moving through the ERCOT approval process. The company is meeting with prospective investors at the project, which we expect will be developed in multiple phases similar to Project Dorothy. The project has already cleared the first of the three required ERCOT interconnection studies in the planning phase. We note that Soluna was selected for Project Kati from more than 20 other players, and in particular the wind farm owners were impressed with Soluna's proprietary Maestro operating software as well as its unique and highly efficient Modular Data Centers that operate without liquid cooling or water.



August 24, 2023

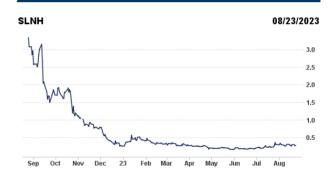
Graham Mattison

graham.mattison@watertowerresearch.com 727-300-4702

KEY STATISTICS

Ticker:Exchange	SLNH:NASDAQ
Current Price	\$0.28
52-Week Range	\$0.14-\$3.47
Average Volume (30-Day)	675,537
Shares Outstanding (MM)	35.7
Market Cap (\$MM)	\$10.0
Enterprise Value (\$MM)	\$19.9
Fiscal Year-End	December

PRICE PERFORMANCE



1



ABOUT THE ANALYST



Graham Mattison Senior Research Analyst

Graham Mattison brings more than 20 years of experience in equity research, investor relations, and corporate operations, growth, and development. Graham was the Investor Relations Officer for two NASDAQ-listed companies where he led multiple equity raises as well as managed an activist investor campaign, M&A and corporate restructuring, and a NASDAQ delisting and relisting.

Previously, he was a Senior Equity Research Analyst, most recently at Lazard Capital Markets, covering the industrial and cleantech industries. He began his career in Southeast Asia as an Investment Analyst for Daiwa Securities. He was also co-founder of an online residential real estate start-up that developed a web-based auction platform.

Graham received his BA in East Asian Studies with minors in Economics and History from Hobart College and his MBA in Finance with honors from the Thunderbird International Business School at Arizona State University. He is an Investor Relations Charter (IRC) holder from the National Investor Relations Institute.

UPDATE NOTE CLIMATETECH & SUSTAINABLE INVESTING



DISCLOSURES

Water Tower Research ("WTR") is a professional publisher of investment research reports on public companies and, to a lesser extent, private firms ("the Companies"). WTR provides investor-focused content and digital distribution strategies designed to help companies communicate with investors.

WTR is not a registered investment adviser or a broker/dealer nor does WTR provide investment banking services. WTR operates as an exempt investment adviser under the so called "publishers' exemption" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940. WTR does not provide investment ratings / recommendations or price targets on the companies it reports on. Readers are advised that the research reports are published and provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities or the rendering of investment advice. The information provided in this report should not be construed in any manner whatsoever as personalized advice. All users and readers of WTR's reports are cautioned to consult their own independent financial, tax and legal advisors prior to purchasing or selling securities.

The analyst who is principally responsible for the content of this report has represented that neither he/she nor members of his/her household have personal or business-related relationships to the subject company other than providing digital content and any ancillary services that WTR may offer.

Unless otherwise indicated, WTR intends to provide continuing coverage of the covered companies. WTR will notify its readers through website postings or other appropriate means if WTR determines to terminate coverage of any of the companies covered.

WTR is being compensated for its research by the company which is the subject of this report. WTR may receive up to \$14,000 per month [for research and potentially other services] from a given client and is required to have at least a 1-year commitment. None of the earned fees are contingent on, and WTR's client agreements are not cancellable for the content of its reports. WTR does not accept any compensation in the form of warrants or stock options or other equity instruments that could increase in value based on positive coverage in its reports.

WTR or an affiliate may seek to receive compensation for non-research services to covered companies, such as charges for presenting at sponsored investor conferences, distributing press releases, advising on investor relations and broader corporate communications and public relations strategies as well as performing certain other related services ("Ancillary Services"). The companies that WTR covers in our research are not required to purchase or use Ancillary Services that WTR or an affiliate might offer to clients.

The manner of WTR's potential research compensation and Ancillary Services to covered companies raise actual and perceived conflicts of interest. WTR is committed to manage those conflicts to protect its reputation and the objectivity of employees/analysts by adhering to strictly-written compliance guidelines.

The views and analyses included in our research reports are based on current public information that we consider to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our analysts, directors, officers, employees, representatives, independent contractors, agents or affiliate shall be liable for any omissions, errors or inaccuracies, regardless of cause, foreseeability or the lack of timeliness of, or any delay or interruptions in the transmission of our reports to content users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit or opportunity costs.

All investment information contained herein should be independently verified by the reader or user of this report. For additional information, all readers of this report are encouraged to visit WTR's website <u>www.watertowerresearch.com</u>.